

July 12, 2004

The Honorable Alfred W. Speer  
Clerk of the House of Representatives  
State Capitol  
Baton Rouge, LA 70804

Re: House Bill No. 1478 by Representative White  
ECONOMIC DEVELOPMENT: Expands definition of “new direct job” in Quality Jobs Program Act to include a contractor's employees in certain circumstances.

Dear Mr. Speer:

House Bill No. 1478 by Representative White would expand the Louisiana Quality Jobs Program by adding certain contract employment to the definition of “new direct job” and making those contract jobs eligible for eighty percent of the program’s already generous five or six percent direct payroll rebate from the state.

The Quality Jobs Program is already a very effective and competitive economic development incentive and it has been very successful. But it is not an entitlement. We do not want to use this program to subsidize those jobs that would have been created without our incentive for that would be unjustified use of taxpayer dollars. Instead, we want to use the quality jobs incentives to encourage job creation that would not have happened without the state providing the incentive.

In the case of contract labor, contractor jobs are correctly defined under current law as “indirect jobs” that are ineligible to receive the payroll rebate because they occur as an indirect result of the state’s efforts to recruit the primary employer. They represent the positive ripple effect of attracting the primary employer to expand or relocate in Louisiana. We are only able to justify the very competitive five and six percent payroll rebates of the Quality Jobs Program with economic projections that assume additional indirect jobs like contractor jobs will be created. If we define those contractor jobs as “new direct jobs” the cost of the program will increase by at least \$500,000 per year and the pay-back period to the taxpayers for each quality jobs contract awarded will increase proportionally according to the Legislative Fiscal Office because 25-45% of total staffing at a typical manufacturing facility is contract labor.

The author of the bill made many important modifications to his bill during the course of the legislative process that narrowed its scope significantly. However, he did not agree to other provisions requested by the Administration that would have assured that the only contractor jobs eligible to be considered “new direct jobs” would be those where a manufacturer chose to outsource

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an overwhelming majority of his labor force as part of a business strategy to employ very few employees directly. Under those circumstances, the contract jobs could be legitimately considered “new direct jobs” that would not have been created absent the incentive. Since those amendments were not added to the bill, I have vetoed House Bill No. 1478 and am returning it to the House of Representatives.

Sincerely,

Kathleen Babineaux Blanco  
Governor

jw